



Ontario

Ministry of
Finance

News release

CADON
TR
-N26

FOR IMMEDIATE RELEASE:
February 9, 1993

PAPER OUTLINES FRAMEWORK FOR CAPITAL SPENDING

Toronto -- *Public Investment for Economic Renewal*, a paper released today by Ontario Minister of Finance Floyd Laughren, outlines a new framework for strategic capital investment in Ontario that represents a new way of doing business and will help get the economy moving.

The paper points to the increasing importance that governments around the world are placing on their infrastructure investment and on finding new ways to finance projects. The paper says that strategic investments — those that open the door to economic development, upgrade existing facilities, and make the Government's assets more productive — are particularly important in competing in the new global economy. The paper identifies five areas as vital to the Province's plans for economic renewal through capital spending: transportation, safeguards on the environment, community development, telecommunications technology, and education and research facilities.

The paper says the Province will set up three Crown corporations to deal with the first three of these, by handling its investments in transportation, water and sewer, and the Province's real estate holdings. The Province has already invested considerable funds in education and research through such programs as the Centres for Excellence and two programs announced in the last Budget, the Sector Partnership Fund and **jobsOntarioCapital**.

The three corporations will be able to use new financing techniques — including private-sector partnerships and joint ventures — and, where appropriate, to recoup costs through charges to users and levies on those who benefit financially from the projects. This will spread the costs and benefits of capital projects more fairly, the paper says, and will make sure that money is being spent effectively. In addition to creating jobs immediately, strategic improvements to the Province's infrastructure will help existing businesses compete better and attract new ones.

Ontario will benefit from the setting up of Crown corporations because the move will leverage investment in infrastructure by allowing new types of financing and cost recovery. In addition, each Crown corporation will focus on a specific type of investment, which will ensure better planning and management of assets. Finally, the Crown corporations will work more closely with businesses, communities and all those who have a stake in the delivery of the service.

The paper states that with this initiative, it will be possible for the Province to fund the level of capital spending it needs to keep the economy growing. Funding from the Federal Government has fallen over the past decades. Crown corporations will help augment the high level of spending that Ontario will maintain on its own.

The three corporations being announced today are:

- . The Transportation Capital Corporation, which will carry out key public transit and highway projects throughout the Province, including the Greater Toronto Area;
- . The Clean Water Agency, which will manage and support the building of water and sewage infrastructure; and
- . The Ontario Realty Corporation, which will manage and develop the Province's land holdings and other real estate projects.

As Crown corporations — which have more flexibility than traditional government ministries — become more central to Ontario's spending plans, accountability will be increasingly important. The first step in improved accountability will be for the Province to expand its treatment of capital spending in the Budget and to outline each year its capital spending plans, whether by ministries or the new Crowns. Separating capital from operating spending focuses on the fact that capital projects create long-term assets such as highways, water mains and sewers that are used for many years. Because of this approach, the Crown corporations will account for their capital spending on the same basis as private-sector firms.

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